

GULCH MINES INC.

22ND ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1975

GULCH MINES INC.

(the "Corporation")

DIRECTORS

J. A. GRANT	-	-	-	-	-	-	-	-	Toronto, Ontario
F. W. HEWITT	-	-	-	-	-	-	-	-	Toronto, Ontario
DR. J. B. HOWKINS	-	-	-	-	-	-	-	-	Toronto, Ontario
P. H. PAGE	-	-	-	-	-	-	-	-	Toronto, Ontario
S. H. ROBINSON, Q.C.	-	-	-	-	-	-	-	-	Toronto, Ontario

OFFICERS

DR. J. B. HOWKINS	-	-	-	-	-	-	-	-	President
J. A. GRANT	-	-	-	-	-	-	-	-	Vice-President
C. K. TAYLOR, Q.C.	-	-	-	-	-	-	-	-	Secretary
P. H. PAGE	-	-	-	-	-	-	-	-	Treasurer
I. WOLFE	-	-	-	-	-	-	-	-	Asst. Secretary

MINE PROPERTIES

BLACK BAY, LAKE ATHABASKA, SASKATCHEWAN
GERALDTON, ONTARIO

REGISTRAR and TRANSFER AGENT

STERLING TRUSTS CORPORATION
327 Bay Street, Toronto, Ontario M5H 2X2

AUDITORS

DELOITTE, HASKINS & SELLS
Toronto, Ontario

COUNSEL

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON
Toronto, Ontario

ANNUAL MEETING

The Annual Meeting of Shareholders of the Corporation will be held at the offices of the Corporation, 28th Floor, Toronto-Dominion Centre, Toronto, Ontario, Monday, May 3rd, 1976 at 11:00 o'clock in the forenoon, Toronto time.

GULCH MINES INC.

(the "Corporation")

Directors' Report

To the Shareholders:

The Directors submit herewith the Twenty-Second Annual Report of the Corporation, including Financial Statements and Auditors' Report for 1975.

Surface diamond-drilling to test six radiometric anomalies on mineral lease 5136 (formerly CBS 276) on Black Bay, Lake Athabaska, Saskatchewan, was completed. A total of 4,781 feet in the 16 holes was drilled from the ice during the winter months. Uranium was intersected in four of the holes drilled and the highest value returned was 2.2 lbs. U_3O_8 per ton over a core length of 1.2 feet. The results were not sufficiently encouraging to warrant additional drilling at this time.

Re-evaluation of previous underground drilling using a cut-off grade of 0.05 per cent U_3O_8 did not add significantly to earlier tonnage estimates. It showed 201,000 tons of drill-indicated 'ore' at a grade of 0.09 per cent U_3O_8 and 315,000 tons of possible 'ore' at the same grade.

In January, 1975, Tombill Mines Limited subscribed for 200,000 shares of the Corporation's capital stock at 50 cents per share and the \$100,000 so obtained was used to test the Lake Athabaska property.

On behalf of the Board

DR. J. B. HOWKINS

President

March 10, 1976

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Balance Sheet as (with 1974 fig

ASSETS

	<u>1975</u>	<u>1974</u>
Current Assets:		
Cash	\$ 386	\$ 104
Deposit with affiliated company	—	25,349
Total current assets	386	25,453
Net Exploration, Development and Other Expenditures (Note 1)	2,075,284	1,945,576
TOTAL	<u><u>\$2,075,670</u></u>	<u><u>\$1,971,029</u></u>

The accompanying notes are an integral part of the financial statements.

AUDITORS' REPORT

To the Shareholders of
Gulch Mines Inc.:

We have examined the balance sheet of Gulch Mines Inc. as at December 31, 1975, and the statements of net exploration, development and other expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, ONTARIO
February 12, 1976

DELOITTE, HASKINS & SELLS
Chartered Accountants

NES INC.

(Incorporated in the Province of Ontario)

December 31, 1975

(for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1975</u>	<u>1974</u>
Current Liabilities:		
Accounts payable and accrued charges	\$ 3,134	\$ 950
Loan from affiliated company	<u>2,457</u>	<u>—</u>
Total current liabilities	5,591	950
 Shareholders' Equity:		
Capital stock:		
Authorized:		
3,000,000 shares without par value		
Issued and fully paid:		
1,188,973 shares (1974 — 988,973)	<u>2,070,079</u>	<u>1,970,079</u>
TOTAL	<u><u>\$2,075,670</u></u>	<u><u>\$1,971,029</u></u>

Approved by the Board:

J. B. HOWKINS, Director.

J. A. GRANT, Director.

GULCH MINES INC.

STATEMENT OF NET EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

For the Year Ended December 31, 1975

(with 1974 figures for comparison)

	<u>1975</u>	<u>1974</u>
Expenditures:		
Exploration and development	\$ 117,893	\$ 24,245
Annual meeting and reports	4,090	1,672
Capital tax	5,157	50
Legal and audit	1,234	4,053
Miscellaneous	—	868
Office	960	1,031
Transfer agent and registrar	2,915	3,245
Total expenditures	<u>132,249</u>	<u>35,164</u>
Income — interest	2,541	2,032
Net Expenditures	<u>129,708</u>	<u>33,132</u>
Net Expenditures at Beginning of the Year	1,945,576	1,912,444
Net Expenditures at End of the Year	<u><u>\$2,075,284</u></u>	<u><u>\$1,945,576</u></u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1975

(with 1974 figures for comparison)

	<u>1975</u>	<u>1974</u>
Funds Provided — capital stock issued for cash	\$ 100,000	\$ 50,000
Funds Applied — net exploration, development and other expenditures	<u>129,708</u>	<u>33,132</u>
(Decrease) Increase in Working Capital for the Year	(29,708)	16,868
Working Capital at Beginning of the Year	24,503	7,635
Working Capital (Deficiency) at End of the Year	<u><u>\$ (5,205)</u></u>	<u><u>\$ 24,503</u></u>

The accompanying notes are an integral part of the financial statements.

GULCH MINES INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1975

1. Net Exploration, Development and other Expenditures

It is the policy of the company to defer all such expenditures.

2. Income Taxes

Accumulated exploration expenditures of approximately \$2,070,000 are available for application against taxable income of future years.

3. Capital Stock Option


One officer of the company has been granted an option to purchase 60,000 shares of the capital of the company at a price of 70¢ per share. This option expires December 31, 1977 and is subject to certain conditions.

4. Comparative Figures

The 1974 figures for comparison were reported upon by other Chartered Accountants and, accordingly, are not covered by the opinion of Deloitte, Haskins & Sells. Certain of the 1974 figures have been reclassified to conform with the 1975 presentation.

5. Anti-inflation Act

The Company is required to comply with the Anti-Inflation Act enacted by the Federal Government, effective October 14, 1975. Under this Act certain restrictions are placed on profits, wages and dividends. For the twelve month period commencing October 14, 1975, the company is not allowed to pay any dividends.



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GULCH MINES INC.

P.O. Box 28, Toronto-Dominion Centre
Toronto, Ontario
M5K 1B8

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Twenty-Second Annual Meeting of Shareholders (the "Meeting") of GULCH MINES INC. (the "Corporation") will be held on Monday, the 3rd day of May, 1976, at the hour of 11:00 o'clock in the forenoon (Toronto time) at the offices of the Corporation, 28th Floor, Toronto-Dominion Centre, Toronto, Ontario, for the following purposes:

1. To receive the Directors' Report, the Auditors' Report and the Financial Statements for the year ended December 31st, 1975.
2. To elect Directors for the ensuing year.
3. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To consider and deal with such other business as may properly be brought before the Meeting, or any adjournment thereof.

If you are unable to attend the Meeting and would like your shares represented, please complete, sign and return the enclosed form of proxy.

DATED at Toronto, this 29th day of March, 1976.

By Order of the Board

C. K. Taylor, Q.C.
Secretary

GULCH MINES INC.

(the "Corporation")

INFORMATION CIRCULAR

This Information Circular accompanies the notice of the Annual Meeting of Shareholders (the "Meeting") of the Corporation to be held on Monday, the 3rd day of May, 1976 at 11:00 o'clock in the forenoon (Toronto time) and is furnished in connection with the mandatory solicitation of proxies by the management for use at the Meeting and at any adjournment or adjournments thereof. The cost of such solicitation will be borne by the Corporation.

VOTING OF PROXIES

The shares represented by the form of proxy enclosed herewith will be voted. The enclosed form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of the Meeting and other matters which may properly come before the Meeting.

A Shareholder giving a proxy in the form enclosed has the power to revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of the Meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKE OUT THE OTHER NAMES OR MAY SUBMIT ANOTHER FORM OF PROXY.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation's capital consists of 3,000,000 common shares with no par value, of which 1,188,973 shares are outstanding each of which entitles the Shareholder to one vote.

Anglo American Corporation of Canada Limited ("Amcan"), through its wholly-owned subsidiary, Anglo American Corporation of Canada Exploration Limited, both of P.O. Box 28, Toronto-Dominion Centre, Toronto, Ontario, owns approximately 50.7% of the issued and outstanding shares of Tombill Mines Limited (of the same address); Tombill owns 448,215 (37.7%) of the issued and outstanding shares of the Corporation, which shares are deemed to be beneficially owned by Amcan. With the exception of these shares, no other person, to the knowledge of the Corporation, beneficially owns more than 10% of the Corporation's outstanding shares.

ELECTION OF DIRECTORS

The management of the Corporation proposes to nominate for election as Directors at the Meeting the persons listed in the following table to serve until the 1977 Annual Meeting of Shareholders of the Corporation or until their successors are elected or appointed, unless any such person is not available to act as a Director, in which event a substitute may be nominated by the management of the Corporation. All of the nominees are now members of the Board of Directors.

<u>Name</u>	<u>Other offices held with the Corporation</u>	<u>Principal Occupation or employment</u>	<u>Director since</u>	<u>No. of Shares of the Corporation beneficially owned directly or indirectly</u>
James A. Grant	Vice-President	Corporation Director	1954	200
Foster W. Hewitt		Chairman, Foster Hewitt Broadcasting Limited (CKFH)	1954	13,000
Dr. J. Blair Howkins	President	Vice-President—Exploration, Hudson Bay Mining and Smelting Co., Limited (a natural resource company)	1973	Nil
Peter H. Page	Treasurer	Assistant Treasurer, Hudson Bay Mining and Smelting Co., Limited	1974	Nil
Sidney H. Robinson, Q.C.		Partner in Holden, Murdoch, Walton, Finlay & Robinson (Barristers and Solicitors)	1957	1,400

REMUNERATION OF MANAGEMENT AND OTHERS

No remuneration was paid or is payable by the Corporation to Directors or to officers of the Corporation for the last completed financial year.

APPOINTMENT OF AUDITORS

It is proposed that Deloitte, Haskins & Sells, Chartered Accountants, be appointed Auditors of the Corporation to serve until the 1977 Annual Meeting of Shareholders. Forms of proxy given pursuant to this solicitation by the management of the Corporation will be voted for such appointment at a remuneration to be fixed by the Board of Directors.

GENERAL

The management of the Corporation knows of no matters to come before the Meeting other than the matters referred to in the notice of the Meeting. However, if any other matters which are not now known to the management of the Corporation should properly come before the Meeting, forms of proxy given pursuant to this solicitation by the management of the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

C. K. TAYLOR, Q.C.

DATED as of the 1st day of March, 1976.

Secretary

